

Message Text

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21

ACTION ARA-10

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 7572

INFO AMEMBASSY GUATEMALA

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PANCANAL

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GUATEMALA FOR ROCAP

EO 11652: N/A

TAGS: ECON, EFIN, PN

SUBJECT: PANAMA'S FISCAL SITUATION

REF: PANAMA 2668

1. BEGIN SUMMARY: \$80 MILLION CITICORP LOAN SCHEDULED FOR SIGNATURE APRIL 30. LA VICTORIA OBTAINED \$19 MILLION LOAN FOR SUGAR MILL CONSTRUCTION THROUGH WELLS FARGO MIDDLE OF APRIL, AND LOCAL BANKS PLAN \$21.5 MILLION LOAN TO AGRICULTURAL MARKETING INSTITUTE. COMPTROLLER GENERAL SOURCE REPORTS FIRST QUARTER GOVERNMENT EXPENDITURES WERE \$6.2 MILLION BELOW BUDGET AND INDICATES HIS OFFICE WILL BE GIVEN ADDITIONAL CONTROL OVER AUTONOMOUS AGENCIES. END SUMMARY

2. A BANCO NACIONAL OFFICIAL HAS INFORMED US THAT \$80 MILLION EURODOLLAR LOAN TO GOP, SYNDICATED BY CITICORP (REFTEL PARA 6),
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IS SCHEDULED FOR SIGNATURE TOMORROW, APRIL 30, IN LONDO. GOP'S

LA VICTORIA CORPORATION (SUGAR MILLS) SIGNED COMMERCIAL BANK LOAN FOR \$18,960,000 ON APRIL 15 IN SAN FRANCISCO WITH SYNDICATE HEADED BY WELLS FARGO BANK, TO HELP FINANCE CONSTRUCTION OF MILL AT ALANJE, CHIRIQUI PROVINCE (PROJECT FOR WHICH EXIMBANK ALSO HAS LOAN COMMITMENT AND LOAN GUARANTEE). COMMERCIAL LOAN IS FOR FIVE YEARS WITH INTEREST RATE 1 3/4 PERCENT OVER LIBO. REPAYMENT BEGINS IN SEPTEMBER 1977. (LA VICTORIA ANTICIPATES MILL WILL OPEN, AND REVENUES BEGIN, IN SPRING 1977.) GROUP OF LOCAL BANKS, INCLUDING BRANCHES OF BANK OF AMERICA, CHASE MANHATTAN, AND CITIBANK, ARE PUTTING TOGETHER \$21.5 MILLION LOAN FOR GOP'S AGRICULTURAL MARKETING INSTITUTE, \$18 MILLION OF WHICH WILL BE REFINANCING. REPS OF BANKS INVOLVED ESTIMATE LOAN MAY BE SIGNED WITHIN A COUPLE WEEKS.

3. ACCORDING TO OFFICIAL IN OFFICE OF COMPTROLLER GENERAL, CENTRAL GOVERNMENT CURRENT EXPENDITURES AMOUNTED TO \$94.1 MILLION DURING FIRST QUARTER OF 1976, WHICH WAS \$6.2 MILLION BELOW BUDGET AUTHORIZATION OF \$100.3 MILLION. (PRELIMINARY ESTIMATE OF CURRENT REVENUE SHORTFALL FOR FIRST QUARTER WAS \$5.6 MILLION--REFTEL, PARA 3.) OFFICIAL INDICATED THAT REDUCTION ACHIEVED IN EXPENDITURES WAS PARTICULARLY NOTEWORTHY IN THAT BUDGETED AMOUNT HAD ONLY INCLUDED 15 PERCENT OF ANNUAL TOTAL FOR VARIABLE, NON-FIXED EXPENDITURES, I.E. THOSE OTHER THAN SALARIES, RENTS, ETC., RATHER THAN FULL 25 PERCENT FOR THE QUARTER. HE SAID THAT GOP REMAINED FIRM IN ITS DETERMINATION NOT TO GRANT WAGE INCREASE TO GOVERNMENT WORKERS THIS YEAR. HE ALSO REPORTED THAT A NEW LAW HAD BEEN APPROVED AND WOULD BE PROMULGATED SHORTLY WHICH REQUIRES GOVERNMENT AUTONOMOUS AGENCIES TO OBTAIN COMPTROLLER GENERAL APPROVAL FOR EXPENDITURES BEFORE THEY ARE MADE. COMMENT: SUCH A LAW WOULD MAKE AUTONOMOUS AGENCIES SUBJECT TO SAME REGULATION AS CENTRAL GOVERNMENT MINISTRIES AND WOULD BE IMPORTANT MEANS FOR IMPOSING FISCAL CONTROL. IT WOULD ALSO PARALLEL ATTEMPT OF PLANNING MINISTRY TO CURB TRADITIONAL INDEPENDENCE WITH WHICH AGENCIES HAVE GONE TO CAPITAL MARKETS FOR FINANCING.

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